

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

---

DATE: July 17, 2015  
TIME: 9:00 to 10:37 a.m.  
PLACE: Jacksonville Police and Fire Pension Fund  
One West Adams Street  
Suite 100  
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Larry Schmitt, Board Chair  
Richard Tuten, III, Board Secretary  
Adam Herbert, Trustee  
Walt Bussells, Trustee (via telephone)

ALSO PRESENT:

John Keane, Executive Director-Administrator  
Debbie Manning, Executive Assistant  
Paul Daragjati, Board Counsel  
Kevin Stork, Controller  
Joey Greive, Fund Treasurer  
Dan Holmes, Summit Strategies (via  
telephone)

CITY REPRESENTATIVES PRESENT:

Greg Anderson, City Council President

These agenda matters of the regular meeting of the JPPFP Board of Trustees came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

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## P R O C E E D I N G S

July 17, 2015

9:00 a.m.

- - -

CHAIRMAN SCHMITT: It's 9:00 and we'll call our workshop to order.

MR. KEANE: Mr. Chairman, we're honored to have the council president with us today who wishes to make some remarks.

Councilman President Anderson.

MR. ANDERSON: Thank you, John. Appreciate it.

First of all, thank you for inviting me. I'm happy to be here this morning. And the first thing I would like to do is thank you all for the work that you've done.

What you have provided over the last years is an opportunity for our community to step forward. And all of you have put in time, emotional energy. You've taken away from your families because of that. And so from my heart, I want to thank you. I know it was not an easy process, but I believe it sets an opportunity for this community to move forward.

The second thing I would like to share with you is that I'm keenly aware of my

1           responsibilities under the new agreement. And so  
2           I will point out a couple items for you.

3           The first is that the liaison from the  
4           council has already been chosen. It's Councilman  
5           Hazouri. Councilman Hazouri has, I think, a  
6           unique perspective as he has been involved in the  
7           pension both when he were in Tallahassee as well  
8           as mayor. I think it will be a good step forward  
9           for us to work together. Tommy is someone who  
10          will share his opinions with you. So I think  
11          that's good.

12          The second thing I will point out to you is  
13          that, under the terms of the agreement, there  
14          will be some appointments to this Board that the  
15          City Council president will make, and I am  
16          currently working on that.

17          There are three Boards that I plan to take  
18          my time to fill. This is one of the three. And  
19          I just want to make sure that the appointments  
20          are fair to all involved that represent the  
21          interests of the community, but will also be able  
22          to work within the environment to make sure it's  
23          a healthy environment for you.

24          I am very aware of the unique  
25          responsibilities of this Board as a fiduciary,

1 and so I'm mindful of that. I hope to have some  
2 names for you on short order. I've already  
3 started working on that. So I think that's  
4 really what I'll share with you.

5 And I think last, I was reflecting last  
6 night over the time we have spent together and  
7 the challenges. And what came to me was  
8 something that Mark Twain said about challenges.  
9 And he said he was glad that he did it, partly  
10 because it was well worth it, but chiefly because  
11 he will never have to do it again.

12 And so I am thankful to all of you for  
13 getting us to this point and look toward to  
14 working with you. I'm happy to answer any  
15 questions.

16 Mr. Chairman do you have anything? John.

17 MR. KEANE: The Board is aware,  
18 Mr. President, that you served as a member of the  
19 pension reform commission there --

20 MR. ANDERSON: Yes, sir.

21 MR. KEANE: -- with Mr. Scheu, and the Board  
22 supported almost all the recommendations from the  
23 Pension Reform Task Force which has now been  
24 enacted into law as you know, 2015-304. So we're  
25 off and running.

1           It has occurred, after careful reading of  
2 the legislation, that some tweaks may be  
3 necessary.

4           For example, the legislation on its face  
5 says it becomes effective when it was signed. So  
6 that would be June the 19th.

7           But we'll use an individual, for example,  
8 that's going to retire on September 30th. Under  
9 the strict interpretation of the law, part of his  
10 COLA would be through June 19th; the rest of it  
11 from June 19th to September 30th.

12           With thousands of employees and 365  
13 potential retirement dates a year, you can see  
14 that it's fraught with potential error, and a  
15 small mistake left undetected magnifies itself.

16           So one of the things we're working with the  
17 actuarial on is to suggest developing some  
18 suggestions to come back to the City Council that  
19 if an employee has entered into, for example, the  
20 15th year, or in the case we just used, the 19th  
21 year, you get the credit for the whole year.  
22 That way we're not breaking down into days.

23           The Social Security COLA, you know, if they  
24 say it's a 1 percent or 2 percent COLA, then you  
25 now have to take those days and break that COLA

1 down. But it's just an immense thing.

2 We've met with City IT people and they  
3 suggested full years is the way to go. But we're  
4 going to get some suggestions together. We'll  
5 meet with Council Member Gulliford and discuss  
6 that with him.

7 MR. ANDERSON: Okay.

8 MR. KEANE: So you may be hearing something  
9 from it.

10 MR. ANDERSON: So your concern is just a  
11 pure administrative burden of it.

12 MR. KEANE: It is, and how to enforce it and  
13 apply it. This may be something that in a rush  
14 to get 304, that little piece there wasn't all  
15 the way thought out.

16 MR. ANDERSON: I hear you.

17 MR. KEANE: But other than that, we've moved  
18 it along. We're working on the recruitment of  
19 our Financial Investment Advisory Committee.  
20 We've had some disappointments. Some people had  
21 previously expressed interest and now they have  
22 expressed disinterest.

23 MR. ANDERSON: Yeah, that happens.

24 MR. KEANE: But we think all in all it's  
25 going to being fine and we're working toward it.

1 And the Board and our members are happy that this  
2 is behind us. It's something we did and it's  
3 done and gone. Move forward and build on it.

4 And for the role that you played both in the  
5 Scheu Commission as well as in the debates and  
6 discussion before the City Council, we're deeply  
7 appreciative of your efforts.

8 MR. ANDERSON: Thank you, John.

9 You may have or may not have seen the  
10 presentation of Mayor Curry's budget, and I will  
11 tell you that I have not had a chance to go  
12 through it in detail. But I have been assured  
13 that the full actuarial required contribution is  
14 included in there in addition to the extra \$5  
15 million. You probably knew that already.

16 MR. KEANE: We didn't know that, but we're  
17 happy to know that the city is going to go ahead  
18 and recognize and meet their obligations from day  
19 one, which is a good sign going forward.

20 MR. ANDERSON: It's a good sign.

21 MR. KEANE: It's a small step this year.  
22 It's going to be larger and then larger, and then  
23 giant steps.

24 MR. ANDERSON: Yes, sir.

25 MR. KEANE: Under the proposed schedule, you



1 will be one of the happiest people leaving office  
2 once they have to start coming up with that 32  
3 million a year.

4 (Laughter)

5 MR. ANDERSON: I know that schedule.

6 MR. KEANE: And you can look back and say,  
7 "Well, when I was council president, we  
8 appropriated every penny we were supposed to."  
9 And hope they don't remember it was only 5  
10 million, as they're wrestling with the 32.

11 MR. ANDERSON: Well, you know, I am aware of  
12 the schedule. But the good news is I think --  
13 and we were talking a little earlier -- the  
14 interaction that I've had with Mayor Curry's team  
15 has been very professional. Mr. Mousa has been  
16 around the block a few times. He really knows  
17 the questions to ask. Ms. Stewart is a  
18 professional as well.

19 So the conversations that I've had, and I've  
20 had a number of them, have been very  
21 professional, very focused on public safety. As  
22 you see in his budget, he has presented 80 new  
23 police officers. So 40 CSOs and 40 police  
24 officers.

25 Now, I don't know what the ramp-up period is

1 on that. But in addition to that, the questions  
2 that I've asked are about equipment, that he's  
3 fully funded the equipment as well.

4 (Dr. Herbert enters the room.)

5 MR. ANDERSON: Thank you very much for  
6 having me. And I'll come back if you would like,  
7 you know, any time --

8 MR. KEANE: Any time you're welcome to come  
9 over here and share the important views of the  
10 City Council with our Board.

11 And, again, Mr. President, we appreciate  
12 your time this morning, and I look forward to  
13 working with you and the appointees you're going  
14 to designate to serve on our Board.

15 MR. ANDERSON: Thank you, John. Appreciate  
16 it.

17 MR. KEANE: Thank you again.

18 DR. HERBERT: Hi. How are you?

19 MR. ANDERSON: Great to see you.

20 I apologize I have to leave. I've got  
21 meetings kind of stacked up today.

22 MR. KEANE: We understand.

23 MR. ANDERSON: Is this package available for  
24 me?

25 MR. KEANE: Yes, indeed. Yes, sir. That is

1           yours.

2           MR. ANDERSON:   Okay.   Thank you very much.

3           MR. KEANE:   Thanks again, Mr. President.

4           (Council President Greg Anderson exits the  
5           room.)

6           MS. MANNING:   We're still waiting on Tuten.

7           DR. HERBERT:   Good morning.

8           MR. KEANE:   Good morning, Dr. Herbert.

9           We're in a workshop mode right now.   Tuten has  
10          been delayed by traffic.   As you know, it's bad  
11          out there this morning.

12          DR. HERBERT:   I discovered that too.

13          MR. KEANE:   So Trustee Glover is out of  
14          town.   Trustee Bussells is going to join us on  
15          the telephone in just a minute, as soon as we  
16          have a quorum here in person.

17          So we were -- because of the council  
18          president's schedule where he had to leave, the  
19          chairman convened us as a workshop just to permit  
20          him to speak on the record.

21          Do we want to recess until Tuten gets here?  
22          Just tell us what time it is.

23          CHAIRMAN SCHMITT:   Yes.   It's now 11 minutes  
24          after 9, and we will recess the workshop.

25          (A recess was taken from 9:11 to 9:21 a.m.;

1 after which the regular meeting of the Police and  
2 Fire Pension Fund Board of Trustees commenced  
3 with Trustees Herbert and Tuten now present and  
4 with Trustee Bussells appearing via telephone:)

5 MS. MANNING: Hello, Mr. Bussells. We're  
6 going to start the meeting.

7 MR. BUSSELLS: Great. Hey, Debbie. Thanks.

8 MS. MANNING: You're welcome.

9 CHAIRMAN SCHMITT: All right. It's 9:21.  
10 We will call the meeting to order.

11 MR. KEANE: Everyone please rise and join me  
12 in a moment of silence for our fallen deceased  
13 members who have passed away since our last  
14 meeting: Luther C. Sheffield, Retired Police  
15 Sergeant; John D. Johnson, Retired Firefighter  
16 Engineer.

17 (Pause)

18 MR. KEANE: Amen.

19 Please remain standing and join me as we  
20 pledge allegiance to the flag of the United  
21 States of America, and to the Republic for which  
22 it stands, one nation, under God, indivisible,  
23 with liberty and justice for all.

24 Thank you very much. Please be seated.

25 Director, can you hear us?

1 MR. BUSSELLS: Yes, I can. Sure can. Very  
2 good.

3 MR. KEANE: All right, sir. What we would  
4 like to do is do the Consent Agenda, and by that  
5 time we will have reached the 9:30 -- after we  
6 have the public speaking period, do the Consent  
7 Agenda. At 9:30 we have access to the conference  
8 line where we would like you to re-call in and  
9 then we can have Dan Holmes and have you both on  
10 the line. That's the only way we can get both of  
11 you at one time. Is that agreeable?

12 MR. BUSSELLS: Sure. Absolutely, yes.

13 MR. KEANE: All right.

14 The Consent Agenda, Mr. Chairman and  
15 Trustees, we'll take up right after the public  
16 speaking period.

17 CHAIRMAN SCHMITT: First, let me start with,  
18 Walt, just to let you know, Council President  
19 Anderson, new council president, was here and he  
20 passed on his appreciation for the hard work that  
21 the Board has done in the past several months and  
22 year to pass the pension reform. So he was  
23 earlier. He had another appointment. So we went  
24 into a workshop and allowed him to speak. And,  
25 like I said, he passed on his appreciation to all

1 the Trustees.

2 MR. BUSSELLS: Outstanding. Great.

3 MR. KEANE: And the court reporter has that  
4 all down. Director, it's in the minutes, the  
5 remarks of the Council President Anderson.

6 CHAIRMAN SCHMITT: And the public speaking,  
7 we have on request to speak. Mr. C. Lee.

8 MR. LEE: Good morning. My name is Curtis  
9 Lee.

10 First, the agenda says nothing about whether  
11 or not Mr. Freitas and Mr. Cuba will forfeit  
12 their pensions. Yet at the June meeting a report  
13 was promised. Where is it? Why isn't it noted  
14 on the agenda so as to keep folks informed?

15 The investigative and forfeiture process has  
16 been too slow. I first mentioned the issue over  
17 six months ago. The Board's slow conduct  
18 violates the Board's own rules, among other  
19 things.

20 Plus, 20 days ago I sent an email to the  
21 entire Board and Mr. Keane, asking for certain  
22 records in the commencement of pension forfeiture  
23 proceedings regarding Jason Tidwell, a fire  
24 department employee.

25 Tidwell was arrested in December 2014 and

1 March 2015 in Clay County for DUI. I knew this  
2 because I read The Florida Times-Union. The  
3 facts are rather scary. I urge you to read them  
4 yourselves.

5 I asked for the records on June 28th. I was  
6 ignored. Unfortunately, none of you as trustees  
7 nor Mr. Keane are entitled to ignore my public  
8 records requests. You may prefer that they go  
9 elsewhere, but I'm entitled to submit them to  
10 you. You all ignored me, which is improper. You  
11 could in theory be individually sued. Something  
12 I prefer not to do.

13 The Tidwell matter seems quite serious. It  
14 appears that he was remanded recently to jail in  
15 Clay County and his bond was revoked.

16 Investigate. Start the process. Inaction  
17 only makes it appear that the Police and Fire  
18 Pension Fund Board mollycoddles and protects  
19 public employees who commit crimes.

20 Also on the public records front, there's  
21 been quite serious delinquencies. Mr. Keane used  
22 407,000 of the Police and Fire Pension Fund's  
23 frequent flier points personally in November of  
24 2012 or thereabouts. He has repeatedly refused  
25 to provide the records that I've requested

1 regarding that matter. Months of delay have  
2 occurred.

3 Again, you risk lawsuits on these matters.  
4 I would much prefer not to sue. I really just  
5 want the records. Please, no further delays on  
6 that front.

7 The last point, beware that when Mr. Keane  
8 retires, he will probably take out over \$100,000  
9 in accrued leave and vacation time, yet he makes  
10 over 309,000 in base pay. In the corporate  
11 world, people who make that kind of money do not  
12 get paid extra for working more than 40 hours a  
13 week. You trustees allow Mr. Keane to get that  
14 outrageous benefit. You should try to do  
15 something about it.

16 Please do so promptly. Thank you.

17 CHAIRMAN SCHMITT: Thank you, Mr. Lee.

18 And that ends the public speaking period.

19 MR. KEANE: Mr. Chairman and Trustees, we  
20 will now take up the Consent Agenda, items 1  
21 through 11.

22 DR. HERBERT: Move approval.

23 MR. TUTEN: Second.

24 CHAIRMAN SCHMITT: Discussion?

25 All in favor?



1 (Responses of "aye.")

2 CHAIRMAN SCHMITT: Passes unanimously.

3 MR. KEANE: The next item on the agenda is  
4 the review of the budget.

5 Kevin.

6 MR. STORK: Okay. It's this large sheet  
7 before you. And we're about half a million under  
8 budget. Most of that is in the money manager  
9 fees, asset allocation. We're above on the high  
10 performance.

11 July has been a little rocky. That will be  
12 reflected next month, but we still have a half a  
13 month to go. And, you know, it's been  
14 fluctuating, kind of trending up a little bit.  
15 So that might make a comeback.

16 But basically about the same thing. Haven't  
17 hired a deputy executive director, assistant  
18 administrator yet. So that's where a lot of  
19 other savings are at.

20 Any questions?

21 DR. HERBERT: I just have one.

22 At our last meeting we authorized up to  
23 \$25,000 to be used to continue the digitizing  
24 process, and I'm just wondering what the status  
25 of that is.

1           MR. KEANE: That's the last item on the  
2 agenda, but we can get to it.

3           DR. HERBERT: Okay.

4           MR. KEANE: Any other budget stuff? Do you  
5 want to show that received as information,  
6 Mr. Chairman?

7           CHAIRMAN SCHMITT: Please.

8           MR. KEANE: Kevin, for an announcement.

9           MR. STORK: Okay. As you know, I've been on  
10 loan and doing a little bit of double duty with  
11 Mayor Elect, now Mayor, Lenny Curry's Budget  
12 Transition Team. And I found it to be a very  
13 interesting process. I haven't really done that  
14 before.

15           But in the interim, kind of unexpectedly,  
16 Mr. Mousa and Mr. Weinstein asked me to think  
17 about coming back to the city as the city  
18 comptroller. I served in that capacity over 12  
19 years for Mayor Delaney and Mayor Peyton.

20           I've talked to John. I've talked to my  
21 family. I've talk to Mr. Mousa and  
22 Mr. Weinstein, and they made an offer and I  
23 decided to accept it. So I'll be transferring  
24 over to the city. It's not like I'm resigning,  
25 but since I'm a city employee hired by the Police

1 and Fire Pension Fund, it's a matter of  
2 transferring to the mayor's department then.

3 And so I will be -- that will be upcoming.  
4 I just wanted to make that announcement at this  
5 time. I appreciate the Board and John for hiring  
6 me. It's been a great four years that I've  
7 served in this capacity, but I've made the  
8 decision to return.

9 Thank you.

10 MR. KEANE: Mr. Chairman and Trustees, Kevin  
11 came to us following the untimely death of Dick  
12 Cohee. We were in a 12-foot ditch with the  
13 6-foot ladder. He came to us thoroughly  
14 knowledgeable of the city accounting policies,  
15 practices and procedures, and has served  
16 excellent during his tenure here.

17 We will miss him. We wish him the best and  
18 Godspeed. And in the Navy they say something  
19 like, "Fair winds and flowing seas." But Kevin  
20 and I were in the Air Force and all we want you  
21 to do --

22 MR. STORK: We aim high.

23 MR. KEANE: -- is aim high and have a  
24 ticket.

25 (Laughter)

1           MR. KEANE: But Kevin has done a great job  
2 for us. Mr. Mousa and Director Weinstein have  
3 made an outstanding choice. We're all familiar  
4 with the comments concerning the status of the  
5 city financial structure over there. And they're  
6 going to enlist Kevin to help reinforce it and  
7 strengthen it, working with Joey. But we hate to  
8 lose him.

9           I've spoken with the chairman of the  
10 Personnel Committee, and we'll have a  
11 recommendation on that when we get to that part  
12 of the agenda.

13          CHAIRMAN SCHMITT: Well, Kevin, we certainly  
14 hate to see you go, but they obviously have a  
15 smart team over there in taking one of our best.

16          MR. STORK: Thank you. I appreciate that.

17          MR. KEANE: The next item on the agenda,  
18 Mr. Chairman and Trustees, is Pension Reform  
19 Ordinance 2015-304 that was signed here after the  
20 meeting last month.

21          We have a packet of thank-you letters to the  
22 mayor and council members and other folks who  
23 were involved in it. We would like to show that  
24 received as information.

25          CHAIRMAN SCHMITT: Please include it as

1 information received.

2 MR. KEANE: The next item is a budget --  
3 copy of the budget approved by the Board. It's  
4 been submitted to the City Council as documented  
5 in the attachment. And I would like to show that  
6 received as information.

7 CHAIRMAN SCHMITT: We'll include it as  
8 information received.

9 MR. KEANE: We're now to the Personnel  
10 Committee. Dr. Herbert.

11 DR. HERBERT: Yes, sir. Let me first speak  
12 to the situation the Kevin has just described.  
13 And what I would like to do is make a motion to  
14 authorize John to proceed to identify a  
15 replacement from within the city.

16 My motion will also make reference to the  
17 fact that we want to employ a person one step  
18 below the assigned step. And the reason for that  
19 is that after a six-month probationary period, it  
20 looks like everything is working, then we could  
21 deal with an increase as appropriate.

22 So this is the motion: To authorize the  
23 executive director-administrator to recruit from  
24 within the city employee ranks a replacement  
25 employee for Kevin Stork who meets the

1 established requirements for the position.

2 The selected individual will be employed at  
3 one step below the assigned step based on years  
4 of service with the city during the six-month  
5 probationary period. The selected employee will  
6 have full reversion rights to city employment.

7 I move that.

8 MR. TUTEN: Second.

9 CHAIRMAN SCHMITT: Discussion?

10 My question is, we only want to open up to  
11 city employees?

12 DR. HERBERT: In part because of the  
13 knowledge base that's necessary.

14 And you might want to comment on that, John.

15 MR. KEANE: The financial information and  
16 management system is a city beast, and that's why  
17 we looked for Kevin when Dick Cohee passed away,  
18 because somebody has got to step in and know it.  
19 There's nobody else. We cannot stop somebody in  
20 a blue car and get them to come in.

21 It's got to be somebody that's worked within  
22 the system and knows it and has detailed  
23 knowledge of it.

24 DR. HERBERT: And because this is happening  
25 so quickly, we really need that experiential

1 base.

2 MR. STORK: One of this things I might add  
3 is that you come here, you have to have a broad  
4 base. But you also have to -- you don't have  
5 anybody to learn from other than if you ask  
6 somebody in the city.

7 So to expeditiously get ready for even  
8 year-end -- I know this isn't the most opportune  
9 time -- but to get ready for year-end and being  
10 able to go into the audit, I think it would  
11 behoove you to look at potential city employees  
12 first, and then if that doesn't work out, go  
13 external because of the level that this position  
14 requires.

15 MR. TUTEN: How long till you leave, Kevin?

16 MR. STORK: Not very long. Probably a week.

17 MR. TUTEN: What?

18 MR. STORK: But I did assure John that I --

19 MR. GREIVE: He's right down the street.

20 MR. STORK: -- I will be doing routine  
21 things like the closing, the journal entries.  
22 You know, I could help out, you know, two to four  
23 weeks. But I cannot prepare for year-end or  
24 anything like that.

25 I could get somebody -- I could keep it up

1           until you get somebody in here and even show them  
2           a turn-around and things like that, but it's not  
3           anything I could do with the requirements that I  
4           would have at the city that I could come and do  
5           this too. I just couldn't do that.

6           DR. HERBERT: That's why it's so important  
7           to hire someone from within the city.

8           MR. KEANE: Somebody that can just come in.  
9           It's much like over at either place where you get  
10          transferred from one place to another, you know  
11          the system, you could fit in. Bring somebody  
12          down here in from Brunswick, Georgia, not even  
13          know how to do it.

14          MR. STORK: It's going to be really tough.

15          MR. KEANE: It takes a while to learn it.

16          There are some qualified employees within  
17          the city structure, some that used to work for  
18          Kevin when he was the city comptroller previously  
19          that are sprinkled throughout the government. We  
20          plan to look them over and select one.

21          Kevin is leaving -- a week from today is his  
22          last day. Director Weinstein assured us that he  
23          would be available to help. Much as Kevin has  
24          been over there helping them, he could come back  
25          here and help us, but he just cannot be here full



1 time to do the end-of-the-year closing and those  
2 kinds of things.

3 So it's critical that we select somebody  
4 immediately to fill this position.

5 CHAIRMAN SCHMITT: Any further discussion?

6 All in favor?

7 (Responses of "aye.")

8 MR. KEANE: All right. We'll show that  
9 unanimous.

10 The next item of information is a reminder  
11 from Klausner and Kaufman's law firm. It's a  
12 series of changes to the statute, compliance  
13 reports. It applies to our actuary and to our  
14 performance advisor. And we will show that  
15 received as information. I've sent copies to  
16 them already.

17 The next item on the agenda is a letter from  
18 Sugarman and Susskind, a law firm, regarding  
19 forfeiture of pension benefits.

20 Paul Daragjati is here to speak to it.

21 MR. DARAGJATI: You-all -- I'm assuming you  
22 have a copy of it. It basically -- I think the  
23 letter speaks for itself, but the independent  
24 firm that we hired to review the forfeiture of  
25 Mr. Cuba and Mr. Freitas have concluded that

1 crimes for which they were convicted of  
2 committing do not fit within the statute;  
3 therefore, forfeiture is not warranted at this  
4 time.

5 I'll be happy to answer any questions.

6 MR. TUTEN: Did this come as a specific  
7 request from anybody, Paul or John, or this was  
8 just a --

9 MR. KEANE: We sent this down in December,  
10 and they didn't want to do it externally in the  
11 Klausner firm because of the long-time  
12 relationship with the Board and the employees.

13 So it, like the last forfeiture case, was  
14 farmed out to an independent law firm to review  
15 the facts. They got copies of the indictments,  
16 independent review, and their conclusion is it's  
17 not a forfeitable defense under the statute.

18 MR. TUTEN: Well, no, I guess my question  
19 is, because I don't remember, was there a  
20 specific request from outside in the city, a  
21 person per se, that wanted us to review this or  
22 we just did this to make sure?

23 MR. DARAGJATI: Well, pursuant to statute, I  
24 mean, if there is -- if a person is convicted of  
25 a crime that fits within the forfeiture statute,

1 the Board is obligated to forfeit that pension.

2 In this particular situation, because the  
3 offenses for which they were convicted, it's not  
4 something that one would normally see.

5 MR. TUTEN: Right.

6 MR. DARAGJATI: So it would have been  
7 something that we would have taken a look at, but  
8 because of the relationships that we had with  
9 those particular individuals, to disabuse  
10 ourselves from any improprieties or appearance of  
11 impropriety, we farmed it out to this other law  
12 firm, Sugarman and Susskind, who does a lot of  
13 pension work down south.

14 MR. TUTEN: I gotcha.

15 MR. DARAGJATI: They're familiar with the  
16 statue. They're familiar with the entire  
17 process.

18 DR. HERBERT: Could I follow up on the  
19 question that was just posed?

20 John, as a matter of practice, whenever  
21 there is an indication of a potential crime, do  
22 we automatically --

23 MR. KEANE: Yes.

24 DR. HERBERT: -- check things out?

25 MR. KEANE: Automatically institute the

1 review.

2 DR. HERBERT: Okay. So sometimes it takes a  
3 little time --

4 MR. KEANE: It does.

5 DR. HERBERT: -- to hire the attorney to  
6 review it.

7 MR. KEANE: Right. And in many cases, if it  
8 was a case that was filed here at the Courthouse  
9 down the street, we get a copy of the indictment  
10 and the charging from the state attorney or from  
11 the clerk of the court, forward it down. They  
12 review it. They make their recommendation back  
13 to the Board.

14 If their recommendation is to suspend or  
15 revoke the pension, we give the person an  
16 administrative hearing. Then they can appeal it,  
17 which you will recall the appeal that you had  
18 with Officer Cannon, and it was determined by the  
19 Board that there was not a nexus between his role  
20 as a police officer and the crime he was charged  
21 with.

22 The statute requires the clerk of the court  
23 to tell us, but we read the newspapers. We're  
24 aware of it. So we went ahead and self-acted on  
25 this.

1           CHAIRMAN SCHMITT:  And that was one of the  
2 points I was going to make, to follow up on.

3           In 112 the clerk is required to notify the  
4 pension board of any of these arrests.

5           MR. KEANE:  Right.

6           CHAIRMAN SCHMITT:  And like you said,  
7 sometimes this process takes a little while --

8           MR. KEANE:  Right.

9           CHAIRMAN SCHMITT:  -- but it is part of our  
10 ongoing process and we do it on every single one.

11          MR. KEANE:  Right, every single one.

12          DR. HERBERT:  If I could just ask our  
13 counsel, as you have taken a look at this  
14 opinion, do you see that they may have missed  
15 anything, or are you comfortable that this an  
16 accurate characterization of the situation?

17          MR. DARAGJATI:  I am.  I am.  To be very  
18 frank, because I had a personal relationship as  
19 Nelson Cuba as counsel to the FOP, I did not take  
20 part in this investigation.

21          But upon reviewing the letter and my  
22 familiarity with the statute and conducting other  
23 forfeiture prosecutions down south, I believe  
24 that they vetted it thoroughly and I'm  
25 comfortable with their opinion.

1 MR. KEANE: Received as information?

2 CHAIRMAN SCHMITT: Yes, please.

3 MR. KEANE: All right.

4 Now we're ready to switch to the Summit  
5 Report.

6 Director, do you have the local number to  
7 call back in on?

8 MR. BUSSELLS: No, I don't. If you'd give  
9 it to me, I'll dial that number now.

10 MR. KEANE: Debbie is coming to tell you.

11 (Off the record for phone arrangements.)

12 MR. KEANE: We're just waiting to get Dan  
13 Holmes on the line.

14 Mr. Chairman and Trustees, do you want to  
15 skip over? We can come right back to the Flash  
16 Report and finish some more of this agenda.

17 CHAIRMAN SCHMITT: That sounds like a good  
18 idea. We'll move on to the other new business.

19 MR. KEANE: The next item is a Letter of  
20 Authorization to Brown Advisory.

21 When we change Board officers, we notify our  
22 various investment managers and the bank and  
23 folks like that who are the authorized  
24 signatures, and this is a routine thing. And  
25 that's for items 3 and 4 there.

1           So we would like to show that received as  
2 information, and we'll get the signatures before  
3 you leave.

4           CHAIRMAN SCHMITT: Thank you. We'll show  
5 that as information.

6           DR. HERBERT: John, so what you'll do is  
7 with regard to the comptroller, you'll make that  
8 change following the appointment of the --

9           MR. KEANE: Yes, sir; yes, sir. That will  
10 be on -- as soon as we get him on board -- or him  
11 or her on board, we'll do the same thing again,  
12 changing that signature.

13          DR. HERBERT: Okay.

14          MR. KEANE: But this is just the two Board  
15 officers as well as Kevin and myself.

16          DR. HERBERT: Okay.

17          MR. KEANE: We'll show those two items  
18 received as information.

19          The next item is an item on the Greece  
20 default. I notified our international managers  
21 to carefully review our holdings to see where we  
22 were on the Greece thing, as it started  
23 deteriorating into what looked like they were  
24 going to put them out of the EU, but it turned  
25 out that that passed along and was solved by

1           itself.

2           So we'll show that just received as  
3           information.

4           The next item is the Renewal of the  
5           Consulting Agreement with Governance. They are  
6           our Tallahassee lobbyists. No increase in the  
7           fee. We'd recommend approval.

8           MR. TUTEN: I'll make a motion.

9           DR. HERBERT: I second.

10          Do you go through an evaluation process of  
11          these guys, John, to assure that we're getting  
12          appropriate ROI?

13          MR. KEANE: Yes, sir. We get --

14          (Telephone interruption)

15          MR. KEANE: Dan?

16          MR. HOLMES: Good morning.

17          MR. KEANE: We'll be right with you. We're  
18          going to finish this item up. We're going to  
19          take up the Flash Report right next.

20          MR. HOLMES: Sounds good.

21          MR. KEANE: Yes, sir, Dr. Herbert.

22          During the legislative session and the  
23          committee meetings prior to the legislative  
24          session, they attend the meetings and look at  
25          legislation that could impact us, and they give



1           you us up-to-date reports on a monthly basis  
2           prior to and during the session.

3           CHAIRMAN SCHMITT: All right. No further  
4           discussion, all in favor?

5           (Responses of "aye.")

6           CHAIRMAN SCHMITT: Opposed?

7           (No responses.)

8           CHAIRMAN SCHMITT: Passes.

9           MR. KEANE: Now we're ready to revert back  
10          on the agenda, Mr. Chairman and Trustees, to item  
11          2015-7-2, the Flash Report from Summit  
12          Strategies.

13          Dan.

14          MR. HOLMES: Good morning. Can everyone  
15          hear me okay?

16          (Affirmative responses.)

17          MR. HOLMES: Thank you.

18          The Flash Report is on a preliminary basis  
19          for the period ending June 30th.

20          As a quick background, we saw choppy markets  
21          both on the equity and fixed income side during  
22          the course of the month. Both stocks and bonds  
23          basically wound up negative along with some other  
24          asset classes as well.

25          The economy showed modest improvement, at

1 least the US economy did, but fears with regard  
2 to Greece, China and Puerto Rico made the  
3 markets -- added volatility to the markets. And  
4 as a result, we saw interest rates up and  
5 basically returns negative across stocks and  
6 bonds, as I mentioned.

7 Employment continued to expand, which is on  
8 a good-news basis. The unemployment rate fell 50  
9 basis -- I'm sorry, 20 basis points to 5.3  
10 percent.

11 Hourly earnings were relatively unchanged,  
12 and that's what the fed continues to look for.  
13 So for now, the fed rate hike is basically on  
14 pause until later this year.

15 Inflation continues to run below the 2  
16 percent rate that the fed is looking for. It  
17 rose 40 basis points in May, but basically over a  
18 year-over-year basis, it continues to be flat to  
19 slightly negative, especially due to lower energy  
20 prices.

21 On the good news side, the PMI index  
22 continue to expand and it expands more rapidly  
23 than what analysts thought. That continues to be  
24 a leading indicator that the economy continues to  
25 grow.

1           GDP was finalized for the first quarter. It  
2           was finalized at a negative 0.2 percent. So a  
3           slight contraction for the first quarter. That  
4           was due to those other factors that I identified  
5           at the last meeting, principally being the  
6           weather in the first quarter, the port strike on  
7           the West Coast, slow down in the energy sector  
8           and layoffs in the energy sector, and then  
9           pressure on exporters as well due to the high  
10          dollar, or the relative rising dollar.

11          So the fed anticipates that to turn around  
12          like it did last year in the second half of the  
13          year, and they continue to forecast a 2 percent  
14          GDP number by the end of the year.

15          So that translates basically for the month  
16          in the negative returns for both stocks and bonds  
17          in the portfolio.

18          In the Flash Report, if you look at the  
19          Asset Allocation page, which is page 1, we note  
20          that asset allocation continues to be in line  
21          with the investment policy. It continues to be  
22          underweight by almost -- we'll call it 4.9  
23          percent to real estate and, conversely,  
24          overweight to US Equity by about 4.6 percent.

25          In terms of returns, the return for the

1 month was a negative 1.5 percent. That was about  
2 50 basis points above the policy index, but that  
3 was just for the month. The return for the  
4 fiscal year-to-date thus far on a preliminary  
5 basis through June is 4.5 percent.

6 On a net basis, that's basically a 4.2  
7 percent rate of return. It's exceeding the  
8 policy benchmark by about 2 percent, and that's  
9 coming from multiple parts of the portfolio.

10 On the first page you see that the domestic  
11 equity composite over the month and the -- both  
12 the calendar and the fiscal year-to-date continue  
13 to be above the benchmark. For the fiscal  
14 year-to-date it's about 1 1/2 percent above the  
15 benchmark at 8.8 percent.

16 With regard to International -- or, I'm  
17 sorry, to the domestic equity managers, we're  
18 seeing continued improvement by Brown. On a  
19 fiscal year-to-date basis, they're up about 10  
20 1/2 percent, and they're above their benchmark by  
21 about 1.6 percent.

22 Conversely, we're seeing a bit of a slow  
23 down with Sawgrass and Pinnacle; but, again, no  
24 concerns or anything with regard to those two  
25 managers that would cause us to raise a red flag.

1 Those two managers, you'll note, are both growth  
2 managers, and they tend to be a little bit more  
3 cyclical growth.

4 In International benchmark has turned  
5 positive so far this calendar year, and that has  
6 now extended into the fiscal year. As you'll  
7 recall, the second half of last year and actually  
8 for the majority of last year, International  
9 Equities had a wind in their face.

10 So far this calendar year they're up 5 1/2  
11 percent, and about 2.7 percent up over the fiscal  
12 year-to-date basis.

13 With regard to the managers, Silchester  
14 continues to do extremely well versus their  
15 benchmark. The index is running within a  
16 reasonable tracking error relative to the MSCI  
17 Emerging Markets Index.

18 Acadian continues to run above their  
19 benchmark by a few basis points.

20 And then also I forgot to mention the EAFE  
21 Index continues to have positive tracking versus  
22 its benchmark.

23 And Baillie Gifford is above their benchmark  
24 over the time periods as well.

25 So the active managers continue to add a

1 little bit of performance, and in some cases a  
2 lot of performance on a net-of-fees basis. We  
3 continue to see International perform really up  
4 until last month better than US Equities so far  
5 this year.

6 International -- I'm sorry. Fixed Income  
7 remains slightly positive for the fiscal year,  
8 but over the last quarter, last three months has  
9 basically been negative on raising rates.

10 The parts of your portfolio that have held  
11 up a little bit better in the Fixed Income  
12 portfolio have been the Leveraged Loan Index has  
13 been up -- on a fiscal year-to-date basis up  
14 about 2.3 percent.

15 Thompson Siegel and Active Core bond manager  
16 also above their benchmark as well; the two index  
17 managers running right in line with the index as  
18 expected.

19 But when rates are up, there's not too much  
20 that the indices can do in terms of protecting  
21 against rising rates. So as a result, we see  
22 Fixed Income composite up about 1.9 percent so  
23 far this fiscal year.

24 Real estate is not market to market, so we  
25 don't have all the real estate returns yet for

1 the quarter. On a preliminary basis, we see  
2 positive returns from both JP Morgan and  
3 Principal to the tune that real estate is up  
4 about 4 percent. We have to get finalized  
5 numbers before we can finalize that, but real  
6 estate looks like it's going to be one of the  
7 better performing asset classes for the quarter.

8 And then finally moving down to MLPs. MLPs  
9 continue to have problems in terms of  
10 performance. We think relative valuation is --  
11 continues to be attractive. But with regard to  
12 MLPs, all subsectors really over the past two  
13 months -- they were very strong in April. They  
14 traded off a little bit in June, and they were  
15 down then negative -- they traded off a little  
16 bit in May and then down more in June.

17 And so all subsectors were down negative in  
18 June, even the -- you know, other yield-oriented  
19 asset classes, like REITs or utilities, were off  
20 even more than MLPs during the month of June.

21 The gathering and processing MLPs were off  
22 the most. That's where one of your MLP managers  
23 had a little bit more exposure. And then the  
24 bottom line is that we continue to believe that  
25 it is attractive, but until the pressure on the

1 broad energy sector starts to roll off, we  
2 continue to believe that it's going to have some  
3 performance problems for the near term.

4 That's the Flash Report in a quick summary  
5 fashion. Let me see if there are any questions.

6 MR. TUTEN: Dan, Rich here, buddy.

7 With the recent Iran deal and with them  
8 getting back into the fray as far as the world  
9 economy and the oil situation, how much of an  
10 effect is that going to be on this MLP? You  
11 know, because if there's more oil in the market,  
12 it's going to go down in price. You know, I  
13 think that's kind of what we're seeing here a lot  
14 to that extent, because, I mean, these MLPs,  
15 they're bleeding money. Just curious as to what  
16 you think.

17 MR. HOLMES: Even if Iran oil were to enter  
18 the world market in terms of supply to a greater  
19 degree, the MLP sectors in which you have the  
20 majority of exposure don't have a necessarily  
21 one-to-one correlation with the price of a barrel  
22 of oil.

23 As a matter of fact, most of the MLP sectors  
24 and the -- actually, in particular, two managers  
25 that you have have methodology to basically



1 protect against the underlying commodity price.

2 The issue with regard to the MLPs is  
3 basically more in terms of domestic supply and  
4 slow down in North American oil and basically the  
5 rising interest rates on the MLP companies.

6 And so, you know, that will stabilize  
7 over -- you know, it will take a little bit of  
8 time for it to stabilize, but the MLP managers  
9 continue to believe that the growth -- the  
10 dividend growth, if you will, for the MLPs will  
11 help to -- will continue to grow and help  
12 overcome whatever negative effect might be on the  
13 rise of interests rate.

14 So stabilizing interest rates or continued  
15 growth in distribution rates will help turn that  
16 positive. That has a bigger effect on it than  
17 whether or not Iran oil gets into the supply  
18 markets.

19 I don't think that right now from what I've  
20 read, it's not a done deal as to whether or not  
21 the Iran deal is going to go through. So that  
22 might have some more twists and turn to it.

23 MR. TUTEN: Dan, explain to me the  
24 correlation between interest rates going up and  
25 how it hurts MLPs.

1           MR. HOLMES: Yes. So basically if interest  
2 rates go up, the price of financing for some of  
3 the MLPs, same way it might hurt REITs as well,  
4 is that there's usually a negative correlation  
5 because cost of borrowing -- MLPs, like REITs,  
6 are capital-intensive businesses. Cost of  
7 borrowing goes up with the price of interest  
8 rates, and that's a drag on the bottom line.

9           MR. TUTEN: Gotcha.

10          MR. GREIVE: Mr. Chairman, if I may --

11          CHAIRMAN SCHMITT: Yes.

12          MR. HOLMES: So, Rich, another way to look  
13 at it, we look at MLPs from two perspectives:  
14 Are MLPs rich or expensive or fairly priced from  
15 an equities standpoint, and are they rich,  
16 expensive or fairly priced from a fixed income  
17 standpoint?

18                 So we look at it like equities. We look at  
19 it like fixed income. From an equities  
20 standpoint, depending on one's point of view,  
21 you'd argue they're either fairly priced or  
22 cheap.

23                 From a fixed-income standpoint, you'd argue  
24 that they're somewhat expensive or fairly priced.  
25 You put it together and you get kind of to the

1 consensus of they still continue to be fairly  
2 priced, but there will be some near term  
3 choppiness.

4 MR. TUTEN: Well, I worry about the  
5 long-term relationship with interest rates,  
6 because, I mean, I know we've said this about 400  
7 times, but it's coming, you know.

8 And I just wonder how much, you know, they  
9 can withstand. I know their portfolios got all  
10 these shock absorbers built in and stuff, but I  
11 just wonder, when that day does come here in the  
12 near future, how much they can withstand it, you  
13 know. It's not a lot of money compared to, like,  
14 our fixed income. I mean, it's only about 120  
15 million bucks, but it's still a lot of money  
16 relative to the size of the fund, you know.

17 MR. HOLMES: Yeah, I understand.

18 As one might expect, you know, if interest  
19 rates go -- well, we'll get -- I'll address it at  
20 the next meeting if you want. I don't want to  
21 take up everybody's time, especially if we're  
22 going to talk about private equity.

23 But the bottom line is, is that I think a  
24 lot of the interest rate movement is already --  
25 or any move by the fed is already forecast and

1           priced into the market. But until we continue to  
2           see the cost of labor going up, until you see  
3           wage rates going up, I don't think the fed is  
4           going to make any move until there's some more  
5           support there.

6           And so it had been middle of the year. Then  
7           it got knocked back on a consensus basis back to  
8           September, and now there's more talk about it  
9           being moved back to the end of the year. And so  
10          we need some more traction in terms of wage  
11          inflation before I think the fed's going to make  
12          its move.

13          MR. TUTEN: Gotcha.

14          MR. GREIVE: Mr. Chairman --

15          MR. HOLMES: And even if they do, it may be  
16          a 25-basis point increment, which I believe is  
17          priced into the market already.

18          CHAIRMAN SCHMITT: One more question for  
19          you, Dan, from Joey Greive.

20          MR. GREIVE: Mr. Chairman, thank you. Just  
21          a couple of observations. You know, we can talk  
22          more about MLPs, I think, you know, as we move  
23          forward.

24          MLPs have been -- for us, they've been  
25          interesting. You know, we invest in the same two

1 managers at the general employees and  
2 correctional officers fund as well.

3 Those have helped propel both of our funds  
4 forward for the last four or five years. If you  
5 look at the five-year numbers of our fund, the  
6 reason we're so good collectively is that we've  
7 had the diversified exposure beyond just  
8 traditional assets.

9 You know, if you think back, from the bottom  
10 of the financial recession, the biggest recession  
11 since the Great Depression, we've seen an amazing  
12 rally the last five or six years. We  
13 collectively reduced our exposure to fixed income  
14 and ramped up things like MLPs, which helped  
15 capture a lot of that upside.

16 The thought that I'm challenging our Board  
17 with on our side and that I've challenged Dan  
18 with is, you know, what's next? We've had, you  
19 know, this five or six really good years since  
20 the recovery, and MLPs have played a part of  
21 that.

22 But to what Dan is going to talk about later  
23 with private equity, I think that's the next step  
24 for both of our funds. Because when we -- when  
25 the news articles came out about both of our

1 funds performing so strongly a year or two ago, a  
2 blogger properly pointed out that it's because we  
3 looked a lot like the market, and that was a very  
4 good time to look a lot like the market. But  
5 that was on purpose, contrary to what the blogger  
6 may have been suggesting.

7 Now we need to make our next on-purpose move  
8 and further diversify the fund. I think, you  
9 know, personally, my view is that private markets  
10 that are not as correlated to stocks, you know,  
11 traditional assets are going to do well over the  
12 next five years compared to just staying where we  
13 are. So there's that element.

14 And the only other thing I wanted to comment  
15 on is that we share eight managers in common now  
16 with your fund. So you've got 20. We share  
17 almost half with GEPP and COPP. And what I'm  
18 also challenging our Board with now is a  
19 consolidation within our US Equity bucket on our  
20 side.

21 And what that's going to lead to is at least  
22 two out of the three that we share in US  
23 Equity -- Eagle, Brown and Pinnacle -- are  
24 likely, but still in the early stages, but are  
25 likely to end up with greater assets on our side,

1 and that will impact this fund positively as well  
2 through lower fees.

3 So where we may see a little bit of extra  
4 fee as we move into private equity, to a small  
5 extent it's not -- you know, I think your  
6 investment policy calls for 5 percent with a plus  
7 or minus target around it. So you may see some  
8 additional fees there, but we're going to help by  
9 consolidating across the city to reduce our fees  
10 on the other side.

11 So I think there's a lot of good things that  
12 are planned out. I just think as we consider the  
13 next steps, we need to think about, you know,  
14 what's got us from Point A to Point B may not be  
15 the same thing that gets us from B to C over the  
16 next five years.

17 So I'm encouraged with where we are with the  
18 opportunity we have in front of us. MLPs have  
19 been hurt here recently, but there's other  
20 opportunity. The only question is: So what is  
21 next? What's in our tool set?

22 And with the passage of 2015-304 and your  
23 recent amendment to your investment policy, you  
24 have an additional tool in your kit that I do  
25 think we should explore. And I don't mean to,

1           you know, set up Dan too well here, but hopefully  
2           that will segue into the next conversation.

3           CHAIRMAN SCHMITT: Dan, back to you.

4           MR. HOLMES: Okay. Thank you. How much  
5           time do we have for the -- for this part of the  
6           presentation?

7           MR. KEANE: What are you going to talk about  
8           next, the private equity?

9           MR. HOLMES: Yes, sir. That's what I  
10          intended. You tell me how much time I have.

11          MR. KEANE: Well, Director Bussells is not  
12          here and neither is the sheriff. We've got the  
13          handout on the agenda that you prepared. I spoke  
14          with Joey, and you're going to be here August  
15          27th talking to the general employees.

16          MR. HOLMES: Yeah.

17          MR. KEANE: I'm going to ask the Board to  
18          consider moving our meeting to Friday morning,  
19          August 28th, so that you can come over and have  
20          that educational piece for them here in person  
21          when we have all the Board here, if that would  
22          fit in your schedule.

23          MR. HOLMES: So if I'm understanding you  
24          correctly, do you want to hold off today and then  
25          do -- because the sheriff and Mr. Bussells,



1 Chairman Bussells, are not there, and then do a  
2 joint education between the two systems or the  
3 two plans' Boards of Trustees in August?

4 MR. KEANE: Correct.

5 MR. GREIVE: Either joint or the 27th --

6 MR. HOLMES: Or consecutively.

7 MR. GREIVE: Consecutive, right.

8 MR. KEANE: Consecutive. Either way.

9 MR. HOLMES: Okay. Let's see. So we said  
10 it was August 27th?

11 MR. KEANE: That's when you're going to be  
12 here for the general employees.

13 MR. HOLMES: Yes, sir. I will be there on  
14 the 27th. I can stay over to the morning of the  
15 28th if that's necessary.

16 MR. KEANE: That's when we'd like to do it.

17 MR. HOLMES: Okay.

18 MR. KEANE: The trustees are checking to see  
19 if that will fit in their schedules right now.

20 CHAIRMAN SCHMITT: That works for me.

21 DR. HERBERT: Works for me.

22 MR. HOLMES: If we could do everybody on the  
23 27th, that would be outstanding.

24 MR. KEANE: Well, that may not work in the  
25 afternoon of the 27th. Most of these people have

1           afternoon schedules already.

2           MR. HOLMES: I understand. I don't want  
3 to -- they give up enough time from their day  
4 jobs.

5           MR. KEANE: All right.

6           Director, will your schedule permit you to  
7 be here on August the 28th?

8           MR. BUSSELLS: Yes. The 28th works for me  
9 just fine.

10          MR. KEANE: Okay. A little bit later in the  
11 meeting, then, we'll ask the Board to formally  
12 move the August meeting. So we'll talk about  
13 that at the August meeting, Dan, but before you  
14 get away, your report notes that we're  
15 underweighted in real estate.

16          And do you have any comments on the JP  
17 Morgan situation that we discussed?

18          MR. HOLMES: Yes. So does the Board know  
19 the background situation?

20          MR. KEANE: They're going to know when you  
21 tell them.

22          MR. HOLMES: I'm sorry?

23          MR. KEANE: They're going to know when you  
24 tell them right now.

25          MR. HOLMES: Okay.

1           So as you may -- as the Board may or may not  
2 have read in the press, JP Morgan seems to be --  
3 not seems to be, has been the subject of multiple  
4 litigations by the government on various issues.

5           There is an issue right now that they're in  
6 process with the government where Morgan Stanley  
7 Asset Management may wind up pleading guilty to a  
8 felony.

9           If that's the case, they have -- Morgan  
10 Stanley Asset Management has to obtain what's  
11 called a waiver in order for them to continue to  
12 do business with ERISA plans.

13           There's a provision of ERISA that states  
14 that a registered investment advisor or principal  
15 doing business with ERISA plans, if they pled  
16 guilty or been found guilty of a felony, that  
17 they're prohibited from doing business with ERISA  
18 plans.

19           JP Morgan has applied for this waiver. And,  
20 for instance, UBS earlier in the year was  
21 involved in litigation and they applied for and  
22 was granted a waiver. So it didn't affect any of  
23 their business.

24           The issue is whether or not JP Morgan gets  
25 this waiver. If they do not get the waiver, then

1       it's generally thought that they're not going to  
2       be able to do business with ERISA plans.  If they  
3       can't do business with ERISA plans, then all of  
4       the ERISA plans invested, the ERISA public -- I'm  
5       sorry, the ERISA pension plans invested in their  
6       real estate fund will have to liquidate their  
7       interests.

8               John and I talked about it, and we think it  
9       might be prudent to start the process of removing  
10      assets from the fund in anticipation or at least  
11      preparation for that event.

12             We have a meeting, a conference call,  
13      actually, set up with JP Morgan later this  
14      afternoon to go into more of the details  
15      surrounding that, so I'll have better  
16      intelligence on it later this afternoon.

17             That being said, however, it takes a  
18      45-day-notice period before the end of the  
19      quarter to be able to liquidate.  So the bottom  
20      line is, the end of the June quarter has already  
21      taken place.  So even if we put in redemption --  
22      for redemption now, we have to wait for the end  
23      of the September quarter.

24             I will be back to the Board and John with a  
25      recommendation of how to begin liquidation before

1           that 45-day period starts for the end of the  
2           second quarter, and then we can kind of  
3           preemptively start to draw down some of those  
4           asset classes.

5           Now, in the meantime, the hope is they get  
6           the waiver and that's not necessary. But what we  
7           want to do is basically make sure that we're in  
8           position to get a head start on liquidation out  
9           of the fund if necessary.

10          Any questions on that?

11          MR. TUTEN: Dan, how much does JP Morgan  
12          have in institutional investors like us in their  
13          portfolio?

14          MR. HOLMES: Hang on, Rich. I have it here.  
15          Let me see if I can find it real quick.

16          MR. KEANE: Billions.

17          MR. TUTEN: I know it's billions. It's got  
18          to be.

19          MR. HOLMES: Quite a lot. I --

20          MR. TUTEN: Well, don't worry about it, Dan.  
21          What I'm getting to, I mean, what are the odds  
22          that they're not going to get this waiver? I  
23          mean, you're talking about -- like I said, if  
24          they're going to have to liquidate billions, it's  
25          going to cause great chaos in the real estate

1 market for pension funds everywhere.

2 I mean, is there any chance that they're not  
3 going to get this waiver? I mean, I don't mind  
4 doing what we're talking about doing just to get  
5 the ball rolling, but . . .

6 MR. HOLMES: Rich, this is -- you know,  
7 ordinarily, I'd say, yeah, the likelihood of that  
8 would probably be low. But the government seems  
9 to have JP Morgan in their crosshairs more often  
10 than not these days, and I just don't know how to  
11 handicap it.

12 MR. KEANE: There's also a parallel SEC  
13 investigation going on also, isn't there, Dan?

14 MR. HOLMES: Yes, there is. They're kind of  
15 working hand in hand.

16 MR. TUTEN: So do we need a motion to start  
17 the process?

18 MR. KEANE: He's going to call us back this  
19 afternoon after he talks to them, but I want the  
20 Board to be aware.

21 MR. TUTEN: Okay.

22 MR. KEANE: There could be a run on the bank  
23 and we might -- so you can get advanced notice.  
24 You know, maybe like have us look at some other  
25 investment managers and have a recommendation for

1           you at your August meeting if it comes to that.

2           To err right now should be on the side of  
3           prudence, that we be prepared.

4           DR. HERBERT: Mr. Chairman, if I could ask  
5           Joey.

6           In terms of the other funds, what are you  
7           guys doing?

8           MR. GREIVE: So that's one of the managers  
9           that we do not share in common. We do share  
10          Principal Global Investors, the manager right  
11          below that on your Flash Report.

12          The problem with real estate right now --  
13          and, you know, Dan can elaborate more -- there's  
14          lots of queues to get in. There's lots of money  
15          chasing the top four or five funds trying to  
16          invest with them because people are doing a lot  
17          of the same thing, trying to reduce their  
18          exposure to stocks and they go into real estate.

19          What we're doing right now is we're trying  
20          to ramp up our noncore real estate. We've got  
21          Prisa II, which is more of a value-add type fund.  
22          I would actually -- just based on -- I don't know  
23          if Dan has talked with you about this; but, you  
24          know, your two real estate holdings right now are  
25          in the core bucket of real estate. That's where

1           there's a lot of money chasing few funds.

2           MR. HOLMES:   Yeah, we've already talked  
3           about it, Joe.

4           MR. GREIVE:   You've talked about value-add  
5           and opportunistic?

6           MR. HOLMES:   Yeah.

7           MR. GREIVE:   Okay.   So that's another, you  
8           know, step to help further diversify the fund,  
9           and that's an area where there still may be a  
10          little bit of opportunity.

11          So as part of this look in forming a backup  
12          plan, perhaps that backup plan includes a look at  
13          the value-added opportunistic space so that  
14          you're not just adding to what everybody else is  
15          already chasing.

16          CHAIRMAN SCHMITT:   And we need a motion to  
17          do this?

18          MR. KEANE:   You just tell us to start  
19          looking into it and we will.   A motion would be  
20          good.   A formal motion would be good.

21          MR. TUTEN:   I'll make a motion.

22          MR. GREIVE:   And the motion would be for a  
23          formal review of the space to form a potential  
24          backup?

25          MR. KEANE:   And make recommendations to the



1 Board at the August 28th meeting.

2 DR. HERBERT: I second that motion.

3 CHAIRMAN SCHMITT: Any further discussion on  
4 that?

5 (No responses.)

6 CHAIRMAN SCHMITT: All in favor --

7 MR. KEANE: Director, can you hear what  
8 we're doing?

9 MR. BUSSELLS: Yes, I can.

10 MR. KEANE: Okay.

11 CHAIRMAN SCHMITT: All in favor?

12 (Responses of "aye.")

13 CHAIRMAN SCHMITT: Opposed?

14 (No responses.)

15 CHAIRMAN SCHMITT: Passes unanimously.

16 MR. KEANE: All right. Dan, that's your  
17 marching orders, and we're going to see you on  
18 the 28th of August. We've get the education  
19 piece for private equity before the trustees and  
20 we'll be ready to take that up.

21 MR. HOLMES: Fair enough. Okay. We'll make  
22 adjustments accordingly, and I will probably be  
23 bringing Chris Keller, who is the head of Private  
24 Equity Research here at Summit, down with me to  
25 make the presentation so you don't have to listen

1 to me drone on.

2 MR. KEANE: Okay. Well, thank you very much  
3 and have a nice weekend.

4 MR. HOLMES: Thank you. You too.

5 MR. KEANE: The next item on the agenda,  
6 Mr. Trustee and Chairman is the -- under Old  
7 Business, the financial report regarding certain  
8 aspects of the DROP from our independent special  
9 auditors.

10 Director, do you want to comment on that?

11 MR. BUSSELLS: Yes.

12 As we had been discussing the last several  
13 months, the independent accountants are now  
14 performing the initial set of agreed-upon  
15 procedures that we had discussed and approved at  
16 the last Board meeting. You know, the three  
17 years and 10 percent as well as the three  
18 individuals specifically identified.

19 I am hopeful I'll be able to get just a  
20 quick download from the auditor manager, Amanda  
21 Bonifay, as early as this afternoon on her work  
22 to date.

23 And then my thought is would be to --  
24 subject to the chairman's thoughts and planning  
25 and involvement as well to perhaps bring them

1 down for, you know, the August Board meeting for  
2 a full conversation and report to the full Board  
3 of the findings of the initial agreed-upon  
4 procedures for this randomly selected files. And  
5 then we can collectively decide what additional,  
6 if any, agreed-upon procedures would be  
7 appropriate based on the initial results that are  
8 underway now.

9 So while it has been a deliberative process  
10 to get this up and running, the agreed-upon  
11 procedure work by the independent accountants is  
12 well underway, and they should easily be in a  
13 position to both promulgate an initial report of  
14 the initial findings in time for the August  
15 meeting as well as come meet directly with the  
16 Board to both discuss the findings and then  
17 answer questions and then dialogue with us about  
18 any additional procedures that are deemed by a  
19 majority of the Board to be appropriate from  
20 here.

21 CHAIRMAN SCHMITT: That sounds good. I'd  
22 like to have them at the August meeting if  
23 possible.

24 MR. KEANE: Okay.

25 Director, when you speak with them today,

1 are you going to invite them to the August  
2 meeting or do you want us to send them the  
3 letter?

4 MR. BUSSELLS: John, why don't you invite  
5 them just to keep the administrative part of  
6 their work, coordination part of the work, going  
7 through staff, and then the substantive part  
8 going directly with the Board.

9 MR. KEANE: We'll take care of that.

10 MR. BUSSELLS: If you'd be sure that they  
11 know when the date is and all that, that would be  
12 great.

13 MR. KEANE: Yes, sir. We'll take care of  
14 that.

15 The next item, Mr. Chairman and Trustees, is  
16 a copy of the letter that we sent to the City  
17 Council Finance Committee notifying them that the  
18 Board was going to consider the changes in the  
19 asset allocation.

20 And the next item is the proposed  
21 educational piece that Dan Holmes talked about  
22 that he is going to be here to present in person  
23 at the August meeting. We'll make extra copies,  
24 so we'll have them available for you.

25 The next item is the Board Meeting Action

1 List showing the updated status of where we're  
2 at.

3 The Lee case is before the Supreme Court.  
4 The Denton case is also before the Supreme Court.  
5 The court is in recess until the end of August.  
6 There will be no opinions issued until  
7 approximately the first week of September.

8 We are continuing our asset allocation  
9 review as the Board just talked about. We're  
10 working, getting the letters ready to go to the  
11 current investment managers, asking them about  
12 changes in their fee structure for the next round  
13 of contracts.

14 The application period is closed on the  
15 deputy executive director's position. Employee  
16 Services conducted the initial and the secondary  
17 screening. They're ready now for the Personnel  
18 Committee to have interviews, but we'd like to  
19 defer that until we get the controller's position  
20 resolved.

21 The Baldwin Bill, which was enacted by the  
22 legislature in 2014, the Brown Administration did  
23 not get the interlocal agreement signed by either  
24 the city or Baldwin. I'm informed that they  
25 bought it to the attention of Mr. Mousa and he

1 promises that the delays are over.

2 On our website, we continue to update it.  
3 Debbie sent the draft agenda over on Wednesday.  
4 Due to delays on the city's side, they didn't  
5 post it until yesterday morning about -- what  
6 time did they post it, Debbie?

7 MS. MANNING: I'm not sure of the exact  
8 time, but it was probably about 9:30 or 10.

9 MR. KEANE: They posted it -- you-all got an  
10 email from Mr. Lee containing a number of factual  
11 misstatements, but it had been sent to the city  
12 in time. We cannot control them. We've urged  
13 them to do it in a timely manner.

14 On the policy of collection overpayment of  
15 pension benefits, we had previously advised the  
16 Board of one case that was overpaid due to a  
17 computer error, and we have made a 100 percent  
18 recovery on that.

19 The second case the Office of General  
20 Counsel has been working on, and the payee has  
21 agreed to a 100 percent reimbursement to the fund  
22 through payroll deduction, which has already  
23 started. And so that piece is finished.

24 We have two cases -- the two fraud cases are  
25 still at the State Attorney's Office waiting

1           their action.

2           The selection of a Financial Investment  
3           Advisory Committee, we've -- Bob Klausner and his  
4           staff have completed the training outline. We  
5           have distributed two additional applications and  
6           we're going to get that training scheduled for  
7           the end of August. Then we'll see which one of  
8           the people still wants to serve, and they'll be  
9           recommended to the Board for consideration and  
10          recommendation on to the City Council.

11          DR. HERBERT: What's the time frame on that,  
12          John?

13          MR. KEANE: Next month. Next month.

14          Now, Debbie -- the next item on the agenda,  
15          Mr. Chairman and Trustees, is the Record  
16          Retention Policy.

17          Debbie, do you want to give them an update?

18          MS. MANNING: Yes.

19          Because of the transition over at -- with  
20          the mayor's office, new people being appointed  
21          and what-have-you, we've tried numerous times to  
22          get in touch with our contact person to get this  
23          appointment scheduled to review the system.

24          We had an appointment scheduled finally for  
25          July -- this last Wednesday, and it was canceled

1 due to a request by Mr. Mousa for them to  
2 concentrate on something more urgent.

3 We're hoping next week to get back with them  
4 to get over there. We apparently have to get  
5 approval from an ITD person before they can even  
6 get involved with us with the scanning. They're  
7 still working on ten other departments, and so  
8 there's no way they're going to get to us before  
9 October 1 anyway.

10 But I still would like to meet with them to  
11 kind of get a basis for everything; and we're  
12 still trying to get things lined up here, but  
13 we're not exactly sure how that's all going to  
14 fall into place.

15 I did mention -- I believe we do need  
16 someone to help with filing and eventually with  
17 scanning when we really get into scanning  
18 documents, but we don't even have the extra  
19 scanners. And that's why I wanted to talk with  
20 them to know what type of scanners, if they have  
21 a recommendation or, you know, what we need  
22 exactly. So it's still up in the air.

23 DR. HERBERT: Is it possible for us to hire  
24 a company that has experience in doing this that  
25 could come in?



1 MS. MANNING: Well, they do have that  
2 company and that is what they mentioned, is  
3 boxing up files. And the company that was used  
4 by the tax collector's office was out of Palm  
5 Coast. But then you're relinquishing all of your  
6 files from here, and I believe they are destroyed  
7 after they are all copied on the disk.

8 So I guess it depends on what we -- you  
9 know, how much we release. And it will be out of  
10 the office for a period of time. They did it  
11 very quickly at the tax collector's office, but,  
12 you know --

13 DR. HERBERT: Did the tax collector's office  
14 box their materials up and ship them down there?

15 MS. MANNING: They did. But, see, that was  
16 records, so that was per year. That was, like,  
17 copies of all their deeds or whatever they deal  
18 with over there.

19 But they've completely downsized their  
20 filing system. Everything is no paper.

21 DR. HERBERT: That is our goal. So I'm just  
22 wondering --

23 MR. KEANE: That is our goal. However, as  
24 Debbie pointed out, the tax collector sent the  
25 January of 2010, February 2010, March 2010

1 receipts down and had them digitized. But they  
2 had all that stuff in order, numerical order.

3 Our files have to be consolidated, reviewed,  
4 and implemented --

5 DR. HERBERT: Sure.

6 MS. MANNING: Yes. I can't just pack  
7 something up and send it to them. You know --

8 MR. KEANE: Or it'll be a mess.

9 MS. MANNING: We're talking a huge task.

10 MR. TUTEN: I'll make a comment right now.  
11 I don't like things being destroyed, especially  
12 something like that. I know it's a pain to store  
13 it, but we're not talking about 14 square city  
14 blocks of paper here. We're talking about things  
15 that if we need to go back and look at  
16 something -- you know, once it's destroyed, it's  
17 destroyed.

18 And everybody with experience with a  
19 computer can tell you, hard drives fail, flash  
20 drives fail, electrical storms happen and kill  
21 the entire storage -- I mean, electric, while  
22 it's good, it saves space, it's not the panacea  
23 long-term necessarily because things happen, just  
24 like they happen with fires and floods.

25 I believe it's a good backup, but for me,

1           for the record, no destroying stuff if we don't  
2           have to.

3           MS. MANNING: Well, and I think keeping it  
4           here in-house is okay because even if we hired  
5           somebody, I would be, you know, reviewing it.  
6           But if they can clean out these files and --  
7           that's what's so time consuming.

8           But you can't sit there for eight hours a  
9           day and do nothing but -- you know what I'm  
10          saying? After a while it becomes so monotonous  
11          that it's difficult. So I just thought if  
12          somebody has part-time and we had X amount of  
13          files sitting here for them to go through, and if  
14          they see duplicates, you know, downsize the file,  
15          then we can go put it back and then gather  
16          everything to be scanned.

17          And we can -- if we have somebody to scan it  
18          or even Lynn sitting up front, you know, we can  
19          get it going, but it's just the massive amount of  
20          filing we have.

21          MR. KEANE: Right.

22          DR. HERBERT: Well, the assumption that I'm  
23          making is that at our last meeting we did  
24          authorize John --

25          MR. KEANE: \$25,000.

1 DR. HERBERT: -- for 25,000. If you need  
2 more, we can do it. But this is such a high  
3 priority item for us, that if you need to hire  
4 someone or hire a firm with the understanding  
5 that they're not going to delete, that we make  
6 the decision as to what's going to be deleted,  
7 what we want is to have all this digitized, we  
8 just need to proceed on it.

9 MS. MANNING: Well, I am scanning as I go  
10 along --

11 DR. HERBERT: I understand.

12 MS. MANNING: -- you know, as far as what  
13 I'm working with, but there's just such a volume  
14 of old stuff, you know.

15 CHAIRMAN SCHMITT: But there are companies  
16 that that is the business they do, is to come  
17 into businesses and digitize all their files.

18 MR. KEANE: Right.

19 CHAIRMAN SCHMITT: So we can look further  
20 into that.

21 MR. KEANE: Right.

22 MS. MANNING: Well, and there, again, that's  
23 why I would talk with the city, you know, to find  
24 out.

25 MR. KEANE: What happened, Debbie tried to

1 get an appointment to go talk to them about, you  
2 know, How do you do it, how does it work,  
3 what-have-you, and for six weeks there was a  
4 weave and dodge. It's Charlie, Jim, Bob, Cathy,  
5 Millie. And then we finally got an appointment  
6 set up to meet with the chief of IT, and then  
7 they canceled it.

8 And I got involved with Debbie and I said,  
9 Why would we even have a meeting with the chief?  
10 We want to talk to one of the technicians. We  
11 want to know how the program works and what  
12 you-all are doing, and that's when they said,  
13 Well, we're already working with ten departments  
14 and you can't take a priority.

15 I said, We don't want to take a priority.  
16 We want someone to get on the train with them.  
17 Whatever you're going to do for them, we want to  
18 do. Tell us the system so we can get the parts.  
19 And they said they're going to call us back.  
20 But, now, that leads to another issue.

21 Director, I sent an email to Kirk Sherman  
22 concerning that request we discussed when you  
23 were here the other day.

24 For the benefit of the Board, the financial  
25 forensic audit that the City Council has

1 authorized, the reviewer has asked for 18  
2 specific items, one of which is all the records  
3 going back to 1987 on our Commission Recapture  
4 Program, ten years of contracts with all of our  
5 managers, wants lawsuit information and  
6 what-have-you.

7 I sent it over to Kirk Sherman and asked him  
8 about the prioritization of it, and I asked them  
9 if we got the files pulled, did they have  
10 somebody they could send over here to scan them.  
11 Our scanner is hooked in with the Xerox machine  
12 and you just cannot scan thousands and thousands  
13 of pages of documents. We're still wrestling  
14 with how much time it's going to take to even  
15 pull it to tell them.

16 But in the one case, they asked specifically  
17 the Merrill Lynch case, according to  
18 Mr. Klausner's office, there are over a million  
19 documents in that case. I mean, we've been --  
20 we'll send it to them. Kirk Sherman, we've asked  
21 them to check with the General Counsel.

22 One of the things they want to resolve, the  
23 legal opinions. We don't have all of them. We  
24 don't even know how many they issued. Asked them  
25 to check with them. Kirk did send back,

1 Director, that he felt they were good questions  
2 and he would give us some answers.

3 So in addition to this work that the Board  
4 is talking about for Debbie to do in digitizing  
5 these records, we have this other enormous  
6 project that is asking for ten years of documents  
7 for -- and lots of other stuff.

8 MS. MANNING: And the PRR requests.

9 MR. TUTEN: John, what is the impetus for  
10 the audit for the council? Any particular  
11 council people?

12 MR. KEANE: You know, Mr. Lee, for one, has  
13 been hollering about doing a forensic audit. The  
14 TRUE Commission passed the recommendation that  
15 they do a forensic audit.

16 Mr. Sherman responded to former Council  
17 President Yarborough that he thought it was a  
18 needless expenditure, and that's when they  
19 thought it was going to be 30- to \$35,000.

20 MR. TUTEN: Well, that's my next question  
21 for you. How much do we think with our friends  
22 over at Mr. Klausner and Kaufman and all the  
23 manpower, how much is this just to get it ready?  
24 How much is this going to cost?

25 MR. KEANE: Well, that's what we --

1           MR. TUTEN: Now, this is obviously going to  
2 be passed on to the city --

3           MR. KEANE: Somebody's going to have to pay  
4 for it.

5           MR. TUTEN: -- because we're an independent  
6 agency, but they do our budget.

7           MR. KEANE: Well, I told Mr. Sherman that we  
8 have one person that can work on this, which is  
9 Debbie, and she can't work on it full-time  
10 because she has other duties.

11           And pulling ten years of contracts -- we've  
12 got 23 managers pulling ten years of contracts,  
13 and some of the managers don't even work here  
14 anymore. Just getting them ready, that will  
15 cover half of this desk. That's just getting  
16 them ready to be scanned.

17           But we're trying to get us a time frame.  
18 When I met with Director Bussells earlier in the  
19 week, he said, you know, try to get a time idea  
20 on it, pass that over to them, ask them to  
21 prioritize what they want.

22           That's where we're at. I wanted to bring  
23 that up to date since I met with him earlier this  
24 week.

25           CHAIRMAN SCHMITT: And they might not be



1           aware of the volume of information that's being  
2           requested and the amount of time it would take to  
3           pull all those documents.

4           MR. KEANE:  They're going to have to  
5           authorize us another employee --

6           CHAIRMAN SCHMITT:  Right.

7           MR. KEANE:  -- or money for temporary  
8           part-time.

9           CHAIRMAN SCHMITT:  Right.  Or they'll have  
10          to hire somebody to do that and send them here.

11          MR. KEANE:  Sure.  And we've offered that,  
12          that we pull the documents, they can send  
13          somebody over here.

14          CHAIRMAN SCHMITT:  Right.

15          MR. KEANE:  But that's where we are on all  
16          that.  We're going to keep pushing with IT.  
17          Debbie has talked to the folks at the sheriff's  
18          office and over at the tax collector's office.  
19          We want to get this project underway as quick as  
20          possible.

21          DR. HERBERT:  And if we do need to hire a  
22          company that's local to do it, I just think we  
23          need to go ahead and proceed, and if we need to  
24          allocate more money for that -- because this  
25          really is a very high priority.

1 MS. MANNING: I know -- I know that.

2 MR. KEANE: I believe that concludes the  
3 agenda, Mr. Chairman and Trustees.

4 CHAIRMAN SCHMITT: Do we have any other  
5 business before the Board?

6 (No response.)

7 CHAIRMAN SCHMITT: It's 10:37. We are  
8 adjourned.

9 MR. KEANE: Thank you very much. Thank you,  
10 Director.

11 MR. BUSSELLS: Sure thing.

12 Good job, Mr. Chairman.

13 CHAIRMAN SCHMITT: Thank you.

14 (The Board meeting concluded at 10:37 a.m.)

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## CERTIFICATE OF REPORTER

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I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript, pages 3 through 74, is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 7th day of August, 2015.

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Denice C. Taylor, FPR  
Notary Public in and for the  
State of Florida at Large

My Commission No. FF 184340  
Expires: December 23, 2018